



OFFICE OF AUDITOR OF STATE
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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE July 12, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Commerce for the year ended June 30, 2003.

The Department coordinates and administers various regulatory, service and licensing functions relating to the conduct of business for commerce in the state.

Vaudt recommended the Department review the real estate broker trust account and board attendance as required by the Code of Iowa for the Professional Licensing Division. Also, duties should be segregated for accounts receivable within the Utilities Division. The Department's responses are included.

A copy of the report is available for review at the Iowa Department of Commerce or the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF COMMERCE**

JUNE 30, 2003

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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April 8, 2004

To Thomas B. Gronstal, Director of the
Iowa Department of Commerce:

The Iowa Department of Commerce is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2003.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations pertaining to the Department's compliance with internal control, statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Commerce, citizens of the State of Iowa and other parties to whom the Iowa Department of Commerce may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Commerce

June 30, 2003

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Related to Internal Control:

Utilities Division

Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements.

One employee of the Utilities Division creates accounts receivable billings, receives payments on the billings and posts the payments to the accounts receivable system.

Recommendation – Adequate segregation of duties should be established so the same person does not create accounts receivable billings, receive payments on account and post the payments to the accounts receivable system.

Response – The Iowa Utilities Board has developed specific internal control procedures to segregate the duties of cash receipts and the receivable journal, within the constraints of the limited number of staff employed in the Accounting and Assessments Section.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Professional Licensing Division

- (1) Real Estate Broker Trust Account – Each real estate broker is required to maintain a common trust account in a financial institution for the deposit of all down payments, earnest money deposits or other trust funds received by the broker. The interest on the account is to be transferred quarterly to the Iowa Department of Economic Development for deposit in the Local Housing Assistance Program Fund, unless there is a written agreement between the buyer and the seller to the contrary. Chapter 543B.46(6) of the Code of Iowa requires the Real Estate Commission, or the Commission's authorized representative, to examine a random sampling of the real estate broker trust accounts for compliance. During the year ended June 30, 2003, documentation supporting this review was not provided.

Recommendation – The Department should establish procedures to properly document the performance of compliance reviews required by the Code of Iowa.

Response – A Trust Account Auditor was hired September 26, 2003 and procedures are currently being developed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Commerce

June 30, 2003

- (2) Board Attendance – Professional Licensing – Per Chapter 69.15 of the Code of Iowa, any person who has been appointed by the Governor to any board shall be considered to have submitted a resignation if the person does not attend 3 or more consecutive regular meetings or the person attends less than one-half of the regular meetings within any period of twelve calendar months beginning on July 1 or January 1.

The attendance of two members of the Real Estate Appraiser Examining Board were not in compliance. One member was not in compliance as a result of the board member not attending three consecutive meetings between July 1 and June 30 and less than one-half of the regular meetings within the twelve month period beginning July 1, 2002. Another member was not in compliance as a result of the board member not attending three consecutive meetings between April 1 and May 31.

Recommendation – The Division Administrator should review attendance of appointed board members for compliance with requirements and determine necessary actions, if any, to be taken.

Response – One of the Board members had a medical condition that prevented her from attending meetings. The other Board member was not reappointed. Attendance is reviewed on an annual basis by the Division Administrator.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Commerce

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Jennifer Campbell, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jill M. Bergantzel, CPA, Staff Auditor
Kristen E. Harang, CPA, Staff Auditor
Kelly V. Rea, CPA, Staff Auditor
Cory A. Warmuth, CPA, Staff Auditor
Kip M. Druecker, Assistant Auditor
Jennifer R. Edgar, Assistant Auditor
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Jedd D. Moore, Assistant Auditor
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